

# SERS-O-GRAM

A newsletter for members of the State Employees' Retirement System of Illinois

SPECIAL ERI SERS-O-GRAM

## Early Retirement Incentive Passed by General Assembly

*The Early Retirement Incentive (ERI) was passed by the General Assembly and is awaiting Governor Ryan's signature allowing SERS members to purchase up to five years of service and age enhancement. By participating in the ERI, members have two options:*

- 1. If a member meets the ERI retirement eligibility requirements, they may retire by January 1, 2003 using the age and service enhancement (See Option 1 below and page 2);*
- 2. If a member does not meet the ERI retirement eligibility requirements at this time, they may purchase ERI service, terminate employment by January 1, 2003 and receive retirement benefits when they become eligible (See Option 2 on pages 3 & 4).*

### OPTION 1:

#### RETIRING UNDER THE ERI

To be eligible to retire under the ERI, you must meet the eligibility requirements listed below.

Eligible employees may retire on the first of any month during the ERI period (August 1, 2002 to January 1, 2003), as long as you meet the eligibility requirements on the date chosen.

#### ERI REQUIREMENTS

To participate in, and begin receiving a SERS pension under the ERI, you must:

- Have eight years of SERS service (five years must be contributing service) by your date of termination;

- Members retiring under the alternative formula must be age 50 without the addition of the ERI enhancement to receive benefits;
- Have never established service credit under an ERI from the Teacher's Retirement System.
- Have never retired from SERS.
- Be a member of SERS who is either:
  - In active payroll status during June 2002; or
  - On layoff status with a right of re-employment or recall; or
  - Receiving a disability benefit for less than two continuous years at retirement.

- Terminate on or before December 31, 2002.
- Meet the eligibility requirements **with the ERI enhancement**:
  - 13 years of service (including five years of ERI service) at age 60;
  - 25 years of service at age 55 (under the ERI, the reduction in benefits between ages 55 and 60 is waived);
  - Rule of 85;
  - Alternative formula employees: 20 years at age 55 or 25 years at age 50.

### ERI BENEFIT ESTIMATES

We will send out a special ERI estimate, brochure and checklist to all members eligible to retire. This information will be mailed by **July 15, 2002**.

Members will have ample time to review the ERI information and make a decision. Please allow us time to mail this information before making inquiries to our office.

### PARTICIPATING IN THE ERI

If, after receiving the ERI estimate and brochure after **July 15, 2002**, you decide to participate in the ERI, you must contact SERS and request a retirement benefit application. **The application and ERI election form must be received by us on or before December 31, 2002**, even if your employment is extended beyond December 31, 2002 by your agency director.

If you participate in the ERI and return to service in any permanent position covered by SERS (excluding the 75-day temporary employment) you forfeit the ERI age and service enhancement, and receive a refund of contributions made under the ERI.

### **EXTENSIONS**

To ensure the efficient operation of state government, agency directors may extend key employees to no later than April 30, 2003.

### **CONTRIBUTIONS**

Members meeting the ERI eligibility requirements may establish up to five years of creditable service in one month increments. For each month of service established under the ERI, the member's age at retirement will be considered one month older.

SERS will determine your required contribution amount after you apply for the ERI.

If your net lump sum payment for accrued vacation, sick leave and personal days is GREATER than the ERI contribution due, your agency will deduct the ERI contribution on a pre-tax basis, send it to SERS, and forward the remaining balance to you.

If your net lump sum payment for accrued vacation, sick leave, and personal days is LESS than the ERI contribution due, your agency will deduct and send SERS the entire net lump sum payment as a partial pre-tax ERI contribution.

The remaining contribution is reduced from your pension payment on a pre-tax basis in 24 interest-free installments.

*The formula to calculate  
the required  
ERI contribution is:*

*Rate of Pay on  
June 1, 2002  
X  
Employee Retirement  
Contribution Rate  
X  
Number of Months  
to be Established*

### **CALCULATING THE REQUIRED ERI CONTRIBUTION**

#### **Coordinated Employee Example**

A coordinated employee with a contribution rate of 4% wants to buy 60 months of service with a June 1 rate of pay of \$2,200.  
 **$\$2,200 \times 4\% \times 60 \text{ months} = \$5,280.$**

#### **Non-Coordinated Employee Example**

A non-coordinated employee with a contribution rate of 8% wants to buy 60 months of service with a June 1 rate of pay of \$3,200.  
 **$\$3,200 \times 8\% \times 60 \text{ months} = \$15,360.$**

#### **Alternative Formula Coordinated Employee Example**

An alternative formula coordinated employee with a contribution rate of 6.5% wants to buy 60 months of service with a June 1 rate of pay of \$3,000.  **$\$3,000 \times 6.5\% \times 60 \text{ months} = \$11,700.$**

#### **Alternative Formula Non-Coordinated Employee Example**

An alternative formula non-coordinated employee with a contribution rate of 10.5% wants to buy 60 months of service with a June 1 rate of pay of \$3,000.  **$\$3,000 \times 10.5\% \times 60 \text{ months} = \$18,900.$**

## **OPTION 2: PURCHASE SERVICE AND TERMINATE EMPLOYMENT UNDER THE ERI, AND RECEIVE RETIREMENT BENEFITS AT A LATER DATE**

### **ERI REQUIREMENTS**

To participate in the ERI service purchase and terminate state employment program, you must:

- Have eight years of SERS service (five years must be contributing service) by your date of termination.
- Have never retired from SERS.
- Be a member of SERS who is either:
  - In active payroll status during June 2002; or
  - On layoff status with a right of re-employment or recall; or
  - Receiving a disability benefit for less than two continuous years at termination.
- Have never established service credit under an ERI from the Teacher's Retirement System.
- Terminate employment by December 31, 2002.

### **RECEIVING RETIREMENT BENEFITS AT A LATER DATE**

After you purchase ERI service and terminate state employment, you may apply for retirement benefits when you become eligible.

To be eligible, you must:

- File an application for retirement benefits.

- Members retiring under the alternative formula must be age 50 without the addition of the ERI enhancement to receive benefits;
- Meet the following retirement eligibility requirements:
  - 13 years of service (including five years of ERI service) at age 60;
  - 25 years of service at age 55 (under the ERI, the reduction in benefits between age 55 and 60 is waived)
  - Rule of 85;
  - Alternative formula employees: 20 years at age 55 or 25 years at age 50.

### **BENEFIT ESTIMATES**

We will not automatically send out ERI estimates to members who might participate in the service purchase and terminate program. If you want an ERI estimate, contact us **after** July 15, 2002.

### **PARTICIPATING IN THE ERI**

If you would like to participate in the ERI, you must contact SERS and request a service purchase election form. ***The service purchase form must be received by SERS on or before December 31, 2002,*** even if your employment is extended beyond December 31, 2002 by your agency director.

If you participate in the ERI and return to service in any permanent position covered by SERS (excluding the 75-day temporary employment) you forfeit the ERI age and service enhancement, and receive a refund of contributions made under the ERI.

### **EXTENSIONS**

***To ensure the efficient operation of state government, agency directors may extend key employees to no later than April 30, 2003.***

## CONTRIBUTIONS

Members meeting the ERI eligibility requirements may establish up to five years of creditable service in one month increments. For each month of service established under the ERI, the member's age at retirement will be considered one month older.

SERS will determine your required contribution amount after you apply for the ERI.

If your net lump sum payment for accrued vacation, sick leave and personal days is GREATER than the ERI contribution due, your agency will deduct the ERI contribution on a pre-tax basis, send it to SERS, and forward the remaining balance to you.

If your net lump sum payment for accrued vacation, sick leave, and personal days is LESS than the ERI contribution due, your agency will deduct and send SERS the entire net lump sum payment as a partial pre-tax ERI contribution.

The remaining contribution is reduced from your pension payment on a pre-tax basis in 24 interest-free installments when you qualify for benefits at a later date.

*The formula to calculate the required ERI contribution is:*

$$\begin{array}{c} \text{Rate of Pay on June 1, 2002} \\ \times \\ \text{Employee Retirement Contribution Rate} \\ \times \\ \text{Number of Months to be Established} \end{array}$$

## CALCULATING THE REQUIRED ERI CONTRIBUTION

### **Coordinated Employee Example**

A coordinated employee with a contribution rate of 4% wants to buy 60 months of service with a June 1 rate of pay of \$2,200.

$$\text{\$2,200} \times 4\% \times 60 \text{ months} = \text{\$5,280.}$$

### **Non-Coordinated Employee Example**

A non-coordinated employee with a contribution rate of 8% wants to buy 60 months of service with a June 1 rate of pay of \$3,200.

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